THE ECONOMIC BASIS OF "IMPERIALISM."

BY CHARLES A. CONANT.

THE instinctive tendency of a race or civilization often outruns the wisdom of its leaders. Whether for good or ill, the inborn tendencies of race—whether for the highest achievement in art, like the Ionian; the military conquest of the world, like the Roman; the penetration of distant and barbarous countries for the purposes of trade, like the Tyrian or the Venetian; the command of the empire of the sea, like the English—these tendencies prevail by a sort of instinct. Other races in seeking to pursue the same paths by imitation have stumbled and gone astray. But when the current of race or national tendencies runs strongly in a given channel it is apt to override alike the misgivings of its sympathizers and the protests and resistance of those who would obstruct it. The United States to-day seem about to enter upon a path marked out for them as the children of the Anglo-Saxon race, not yet traversed because there has been so much to do at home. Almost as if by magic, the importance of naval power as the advance agent of commercial supremacy has flashed upon the mind of the country. The irresistible tendency to expansion, which leads the growing tree to burst every barrier, which drove the Goths, the Vandals, and finally our Saxon ancestors in successive and irresistible waves over the decadent provinces of Rome, seems again in operation, demanding new outlets for American capital and new opportunities for American enterprise.

This new movement is not a matter of sentiment. It is the result of a natural law of economic and race development. The great civilized peoples have to-day at their command the means of developing the decadent nations of the world. This means, in its material aspects, is the great excess of saved capital which is the result of machine production. It is proposed to point out in this

article how great this excess is at the present time, how profoundly it is disturbing economic conditions in the older countries, and how necessary to the salvation of these countries is an outlet for their surplus savings, if the entire fabric of the present economic order is not to be shaken by a social revolution. The law of self preservation, as well as that of the survival of the fittest, is urging our people on in a path which is undoubtedly a departure from the policy of the past, but which is inevitably marked out by the new conditions and requirements of the present.

The dominant note of modern economic life, since the beginning of the epoch of machinery and of negotiable securities, has been saving for investment. Saving against the risks of loss and the weakness of old age has existed from the beginning of civilization and has been accompanied by a limited amount of saving for increasing the means of production. But saving for the sake of an income without the impairment of the principal is, in its present extension, a modern phenomenon. Savings had to be made, before the period of negotiable securities, in consumable commodities, in land and its improvements, or in metal, the great store of value. The creation of corporations and the issue of their shares in negotiable securities afforded an outlet, toward the close of the last century and early in the present century, for savings which were becoming congested, because they could not be put to ready use. The change in the form of the investment was only an evolution from the great demands for capital which arose with the application of machinery to production upon a large scale and the discovery of methods of communication on land and sea by the use of steam. The necessity for carrying on such large enterprises as cotton mills, iron foundries, and canal, railway and steamship building by great aggregate sums of capital led to the division of the cost of the enterprise into divisible parts, which might absorb the capital of great numbers of men. For many years there was an outlet at a high rate of return for all the savings of all the frugal persons in the great civilized countries. Frightful miscalculations were made and great losses occurred, because experience had not gauged the value or the need of new works under all conditions, but there was room for the legitimate use of all savings without loss and in enterprises affording an adequate return.

The conditions of the early part of the century have changed.

Capital is no longer needed in excess of the supply, but it is becoming congested. The benefits of saving have been inculcated with such effect for many decades that savings accumulate beyond the development of new demands for capital which are legitimate, and are becoming a menace to the economic future of the great industrial countries. Jean Baptiste Say, the French economist, demonstrated by plausible reasoning that there could not be a general overproduction of commodities, because the increased product of one man or set of men would be exchanged against the increased product of the other producing classes of the community. But there was one flaw in this argument. M. Say based his reasoning upon the premise that the man who produced consumed in equal ratio with his production. He did not allow for saving. Saving is the setting aside from the products of one's labor or services of a portion of the proceeds for some other purpose than consumption. If every man in the community spent his entire income upon consumable goods there would be no overproduction except as a result of mistaken adjustments. There could not be universal overproduction until every human being had more than he could consume or enjoy. But if every man should undertake to set aside a fixed proportion of the products of his labor for some other purpose than consumption, he would necessarily diminish the demand for the other classes of commodities which he had formerly obtained in exchange for his own products.

The answer of the economist to this proposition may be that savings, in their turn, are applied to furnishing the means of consumption to laborers. This is true so long as these laborers can be employed upon productive work. But, by the hypothesis, they must be employed upon some permanent work, like increasing the machinery of production or the means of communication. If these improvements are necessary they pay an adequate return, and the point of congestion of capital has not been reached. If they are needless duplications of existing machinery they may either fail to pay dividends, or they may divide the work and earnings of existing machinery and laborers, making their creation barren of benefits to the community. In either case the person making the savings would have profited as much if he applied his surplus to the purchase of consumable goods and luxuries, and the community would not have suffered by the employment of labor-

ers in the production of such goods, instead of the needless duplication of existing plant, destined to increase the inconveniences of overproduction, lock-outs, strikes and commercial convulsions.

The famous proposition of John Stuart Mill that "Demand for commodities is not demand for labor" is true in a restricted sense, but, in the language of Prof. Paul Leroy-Beaulieu, "has, in modern societies as they are constituted to-day, and with the enormous resources at their disposal, only a theoretical value." In fact, M. Leroy-Beaulieu goes on to declare, "Circulating and available capital is exorbitantly abundant in all the old and rich societies." Mill's argument in its last analysis comes to this—that time is required between the consumption of saved commodities by laborers and the production by them of finished goods, and that consumption of commodities does not add to existing capital. These two propositions are theoretically true, but the element of time for preliminary saving has been substantially eliminated by modern conditions, and the evil of consuming commodities without saving has long ceased to be a threatening one. That a continuous demand for consumable commodities does constantly provide the capital for continuing their production is practically admitted by Mill when he says, in referring to a sudden cessation of demand for velvets, that the true test of his principle is "to suppose that the change is gradual and foreseen *and is attended with no waste of capital.*"

If saving in any community no more than kept pace with new demands for capital which proved legitimate and profitable, the happy situation of a constantly progressive industrial condition would be realized. Saving is applied in too many cases, however, to the needless duplication of existing manufacturing plant and the creation of enterprises which do not prove productive. A few of these enterprises may do good to the community in the long run, by that process of friction which finally brings sound adjustments, but it can only be at the sacrifice of the savings of the first investors. It is the rude process of these readjustments which lies beneath the intensity of economic crises during the present century. Some of these crises have been accompanied by delusions growing out of the novelty of the principle of limited liability and negotiable securities, which have added to their intensity, but they have been due in an increasing degree in recent years to the vain seeking for safe investments which could not be

found. The duplication of needless plant, the multiplication of unprofitable enterprises, has flooded the market with products which could hardly be consumed if all the means of the community were applied to consumption, and which have resulted, under the existing system of abstinence from consumption for the sake of saving, in a glut of goods which has destroyed profits, bankrupted great corporations, and ruined investors.

It is the excess of saving, with the resulting accumulation of unconsumed goods, in the great industrial countries, which is one of the world maladies of the economic situation of to-day. It lies at the root of a large share of industrial discontent, and explains more logically than changes in the mere mechanism of exchange the conditions which set in about 1870, when the great civilized countries first appear to have become fully capitalized to meet all demands which consumers were willing to make out of their earnings. The world's economic history since that time—the intense industrial activity in machine production and railroad building up to 1873; the long period of stagnation which followed, broken only by brief periods of activity after surplus goods had been consumed; the great accumulations of both capital and metallic money; the convulsions attacking the great capitalistic countries, without respect for their differences in tariff policies and money standards; and the steady fall in the earning power of capital—all these tendencies point to excess of saved capital beyond the effective demand of the community as their underlying cause. There must always be savings in a progressive industrial society to repair the wear of existing equipment and to meet new demands, but under the present social order it is becoming impossible to find at home in the great capitalistic countries employment for all the capital saved which is at once safe and remunerative.

The rapidity of savings and the extent of the congestion of capital in Europe may be judged from the stock exchange lists and the savings bank returns. In Great Britain the market value of the securities quoted on the stock exchange on June 18, 1898, was £3,215,414,000. In France the nominal and actual value of negotiable securities has recently been carefully worked out in a series of articles by M. Edmond Théry, the accomplished editor of *l'Économiste Européen*. He shows that the market value of securities issued by French companies increased from $9,000,000,-

000 on July 1, 1890, to $13,250,000,000 on July 1, 1897, and while one-tenth of this amount was held in each case abroad, this is offset four times over by foreign securities held in France. The market value of all securities held by Frenchmen, which was $11,000,000,000, paying an annual income of $480,000,000 in 1880, had risen in 1897 to $17,000,000,000, paying an annual income of $580,000,000. In this form of wealth alone, therefore, there has been an increase of more than 50 per cent. in capital in seventeen years, with an increase of less than 21 per cent. in money earnings. A part of this increase may be fictitious, in the sense that former private undertakings have been turned into stock companies and that some of the stock companies represent worthless enterprises. The essential point, however, is not materially impaired, that the available money credits have been found among French investors to absorb this vast amount of stock in national, railway and industrial securities. This increase, moreover, is a net increase in both nominal and market values and takes account of the millions which have been sunk in worthless enterprises, like the Panama Canal, only at their capitalization and actual market value at the present time, and not at their issue value.

A calculation of all the movable wealth of leading European countries was undertaken in 1895 by the International Statistical Institute, under the direction of M. Alfred Neymarck, which covered the precious metals, mortgages and savings deposits, as well as negotiable securities. The total was found to be $85,000,000,000. M. Neymarck distributes this negotiable wealth among the various countries as follows: England, $35,000,000,000; Germany, $18,000,000,000; France, $15,500,000,000; Russia, $5,000,000,000; Austria, $4,500,000,000; The Netherlands, $2,600,000,000; Italy, $3,400,000,000; Belgium, $1,200,000,000; Denmark, $550,000,000; Roumania, $240,000,000; Norway, $150,000,000. In the four great investing countries of France, Germany, Austria-Hungary, and Great Britain there are more than $46,000,000,000 of capital invested in negotiable securities alone—an amount equal to fifty times the bonded debt of the United States and to $3,250 for every family of five persons in the United States.

The statistics of the savings banks indicate in some degree the manner in which the common people have come to the aid of the

great capitalists in accumulating loanable credit. The postal savings banks alone showed deposits, at recent dates, in Great Britain and Ireland of $500,000,000; in France, $150,000,000; in Belgium, $100,000,000; in Italy, $90,000,000, and in Russia, $123,000,000. The French savings banks outside the postal service carry deposits to the amount of $650,000,000; the Swiss banks have $175,000,000, and the British trustee savings banks carry deposits of $500,000,000. In these few countries, therefore, is an investment fund of nearly $2,500,000,000, derived from the savings of people of small means. In the United States the deposits in the savings banks in 1870 were $549,874,358, computed in depreciated paper money. In 1880 the amount, upon a gold valuation, was $819,106,973; in 1890, $1,524,844,506, and in 1897, $1,939,376,035. The amount has more than doubled during the fifteen years since 1882, when it stood at $966,797,081, and amounts to $26.56 for each man, woman and child in the United States. No account is taken of the deposit accounts of the great discount banks, because they grow largely out of current commercial transactions rather than new savings. These accounts could not exist without preliminary saving, but the capital which they represent corresponds rather to the circulating capital which maintains production than to the great funds which are seeking investment in new enterprises.

The essential question regarding this vast mass of accumulated saving invested in negotiable securities is whether it is put to profitable use. It is growing at a rate which would mean greatly increased prosperity in every country, if increase of savings were accompanied by increase of earning power in the old proportions. The statements compiled annually by M. Laveleye, the editor of the *Moniteur des Interêts Matériels* of Brussels, puts the total issues of new securities in 1897, including public loans, as well as railway and industrial stocks and bonds, at $1,800,000,000. This is considerably less than in 1896, when the issues were $3,200,000,000, but the conversions at that time were $1,500,000,000, as compared with only $135,000,000 in 1897, so that the net issues of new securities were not far apart in either year and amounted to nearly $1,800,000,000. The total for 1897 includes $26,000,000 in the United States and about the same amount in Canada, but the bulk was European capital, even where the recorded issues were in other countries. The applications of new capital to joint stock

companies and security issues in Great Britain in 1897 were $775,-000,000, and the issues of French securities in 1897 were computed by *l'Économiste Européen* of December 31 at $90,000,000.

The effect of these great accumulations of capital was predicted as long ago as 1879 by Prof. Leroy-Beaulieu, the eminent French economist, in the first edition of his book, *Essai sur la Repartition des Richesses.* He made it plain that if European laborers and capitalists continued to pile up savings in later years as they had already done up to that time, the supply of loanable capital would become so great that its earning power would be materially reduced. The continued tendency in this direction has been pointed out in a striking manner by Prof. Leroy-Beaulieu himself and by M. Théry, in the series of articles already referred to, and is no longer a subject of dispute among European financiers. The conclusive evidence of the plenitude of capital and the cheapness of money is afforded by the conversions of the public debt which have been steadily going on among the great powers. Great Britain refunded her consolidated debt in 1888, and British consols now pay but little more than two per cent. at the current quotations. France negotiated loans of $880,000,000 between 1880 and 1890, most of which were issued at three per cent., but were quoted at only 85 to 91 per cent. up to 1890. Since then the quotations have steadily risen, until the real return in interest is summed up by M. Théry in the declaration that a capitalist who should have invested 10,000 francs in proportionate purchases of the six types of French national securities would have drawn from his investment in 1880 an annual revenue of 380 francs, in 1890 355 francs and in 1897 only 297 francs.

The great Prussian conversion was operated during 1897 and applied to $850,000,000 of consolidated four per cent. securities. These four per cents. were quoted at 104.5 and the three and a half per cents. were quoted at 104.2 in October, 1896. The three per cent. obligations issued in 1890 and then quoted at 86.5 reached par on July 5, 1895, and stood at 99.6 on October 5, 1896. One of the reasons for the close approximation of the four per cents. to the three and a half per cent. securities was the conviction that the government would soon proceed to the conversion of the former. M. Miquel, the Prussian Minister, in announcing his project, recalled the fact that in 1894 France had converted her four and a half per cents. into three and a half

per cents.; that Sweden, Norway, Luxembourg, Zurich, Saxe-Gotha, Würtemberg and Bavaria had converted four per cent. into three and a half per cent. securities; and that Denmark, Belgium, Holland, Bremen and Berne had converted three and a half per cents. into three per cents., not to speak of the great Russian conversion of five per cents. into four per cents.

Figures like these illustrate in a forcible manner the superabundance of loanable capital in Europe and the small return which it now pays to investors. The evidence that the leading European states, in reducing their interest rates, have only followed the tendency of commercial loans is afforded by M. Théry in his discussion of railway and industrial securities. That the situation is on the point of becoming much worse for investors is indicated by the fact that not only are governments preparing for conversions of the public debt at reduced rates of interest, but some of the railways and industrial societies are preparing to pay off their obligations and narrow the field of possible investment. The leading railway companies of France are beginning to issue obligations at two and a half per cent., which are still quoted a little below par, but which, after the deduction of the tax upon corporation earnings and the tax upon transfers, pay a net return of only 2.44 per cent. a year. Of the French railway obligations 121,525,000 francs mature in 1900, 167,205,200 francs in 1910, 216,214,000 francs in 1920 and larger sums during the three succeeding decades.

This congestion of capital in Europe follows a distinct economic law. This law, as worked out by the eminent Austrian economist, Böhm-Bawerk, applies to the earnings of capital the law of diminishing returns. In other words, capital becomes less productive in earning power where it is abundant, because less productive use can be found for the excess above a certain limit. And it is this excess which fixes the rate for all. In the luminous language of M. Leroy-Beaulieu, "The circumstance which most influences the rate of interest in civilized countries, where capital is generally sought and loaned for productive works, is the average productiveness of capital newly formed and the prospect of productiveness of capital which is available." Saving has reached a point in old countries where the offers of capital have almost exceeded the effective demand and the owners of capital are bidding recklessly against each other for the purchase at high premiums

of the evidences of the public debt and other unquestionable securities.

A remarkable proof that this great accumulation of capital is to a large extent doubling upon itself by duplicating the machinery of production, without substantial benefits to the community or even to investors, is afforded by the statistics of the French tax upon the income of negotiable securities. An article in *l'Economiste Français* of May 21, 1898, calls attention to the fact that the product of this tax, if the rates had been uniform, would show no appreciable increase for the past fifteen years. The rate was changed from three to four per cent. in 1891, so that the gross yield was increased, but the product of each one per cent. of the tax was 16,075,000 francs in 1883 and only 15,737,000 francs in 1896. This tax is levied upon the dividends paid upon negotiable securities. If the fact that the yield of the tax had not increased were considered by itself, it would indicate that the increased savings of the French people and their large investments in negotiable securities for the past fifteen years had been absolutely barren of increased earning power. In other words, the superfluity of capital has so reduced dividends that all the additional savings of half a generation have no more than offset the effect of declining interest rates. This calculation is, of course, subject to qualification, by reason of large investments by Frenchmen in foreign securities which do not pay this tax, and by reason of the reduction in the prices of commodities, which increases the purchasing power of the dividends earned. But even with these qualifications there could hardly be a more striking demonstration of the barrenness of the vast volume of savings and the manner in which the increase in volume accentuates the difficulty of sufficient savings to afford productive dividends.

The restlessness of capital under diminished earnings has been illustrated in many ways during the last few years. In every great capitalistic country there is an eager reaching out for new investments, which is sometimes willing to assume great risks rather than accept small returns. Germany, which was a comparatively poor country until within the present generation, is expanding greatly her foreign investments, in spite of occasional deficiencies of circulating capital at home. The proof that German capital is finding its way all over the world is found in the extension of German banks, of which there is one, with a capital of 10,000,000

marks ($2,500,000), in Brazil; one with head offices at Buenos-Ayres and Valparaiso, with a capital of 20,000,000 marks; one at Shanghai and Calcutta, with a capital of 15,000,000 marks; and the German Bank of Chile, at Valparaiso, with a capital of 10,000,000 marks. Germany is interested in the Brazilian railway of Minas, with a capital of 62,000,000 marks, and in the railways of Anatolia (which are almost wholly owned in Germany), with a capital of 26,720,000 marks and loans of 68,340,000 marks. German capital is also largely invested in breweries, paper mills, soap factories, textile mills and machine shops in the United States.

Even Scotland, the example for many years of conservatism in banking and investments, has felt the pressure of the low returns upon saved capital in recent years. The Scotch incorporated banks gave notice on October 1, 1892, that after that date the allowance of interest on creditor balances of current accounts would be discontinued. This did not apply to distinct deposit accounts, but the rate on these was then only one and a half per cent., and was reduced in January, 1895, to one per cent. The congestion of capital in Scotland had already led to large transfers of money to Australia, and when the crisis of 1893 occurred in that country about one-third of the deposits of £153,000,000 were owned in Great Britain, chiefly in Scotland, and had been deposited in the Australian banks, because of the liberal rate of interest paid.

The present situation in regard to saving is not absolutely novel in the world's experience. The Florentine cities found capital accumulating on their hands beyond the capacity for its safe employment, and were compelled to make precarious loans to foreign kings. Holland faced a congestion of capital in the days of her great maritime supremacy, when money sought investment in vain at two per cent., and the wild folly of the tulip mania illustrated the tendency to speculation which such conditions foster. England was afflicted with such a congestion of capital in the early days of the Stuarts, when prosperity and commercial greatness began to afford small commercial savings to Englishmen, and again in the middle of the last century, when three per cents. were quoted at 107. In each of these cases the world was far from rich, and savings could not be said to exist in excess in the sense that there was more than enough for all. But the question of congested capital is a practical one and not a sentimental one. The few who then saved, the many who save now, will not hand over their whole

savings to the needy, except under compulsion of taxation or under the cruel stress of an economic crisis which wipes out dividends and shrivels the value of investments.

There are three important solutions of this enormous congestion of capital in excess of legitimate demand. One of these is the socialistic solution of the abandonment of saving, the application of the whole earnings of the laborer to current consumption, and the support of old age out of taxes levied upon the production of the community. It will be long before this solution will be accepted in a comprehensive form in any modern civilized state. The second solution is the creation of new demands at home for the absorption of capital. This has occurred at several previous stages of the world's history and is likely to continue as long as human desires continue expansible. But there has never been a time before when the proportion of capital to be absorbed was so great in proportion to possible new demands. Means for building more bicycle factories than are needed, and for laying more electric railways than are able to pay dividends, have been taken out of current savings within the last few years, without producing any marked effect upon their amount and without doing more, at the most, than to stay the downward course of the rate of interest. Aside from the waste of capital in war, which is only a form of consumption, there remains, therefore, as the final resource, the equipment of new countries with the means of production and exchange.

It is in the countries which Lord Salisbury describes as decaying that the means for the employment of new capital must be found. Western Europe and the Atlantic coast of the United States, with many of the interior States, are already fully equipped with the necessary means of production and communication. There remain many improvements of a permanent character capable of being made in the luxuries of living, but they are not in the nature of additions to the machinery of production and exchange. Such an improvement, for instance, would be the abolition of grade crossings by costly tunnels and bridges, where the improvement obviously would not pay for itself, but was rendered possible out of the abundant surplus savings in the form of earnings of the railway or the State. These improvements are very desirable additions to the accumulated comforts of a community, but their creation is essentially in the nature of the em-

ployment of capital for consumption, where they have no visible and appreciable effect upon earning capacity, rather than its employment as an investment. A railway which saw fit to employ a large surplus of earnings in such improvements would be pursuing the same course as an individual who applied his surplus to the purchase of valuable works of art and jewels. They would both have a permanent character, but not a productive character. The railway would not issue new interest-bearing securities for sale to investors for such purposes, and the individual would not borrow the savings of others to add to his personal luxuries.

For the means of finding new productive employments for capital, therefore, it is necessary that the great industrial countries should turn to countries which have not felt the pulse of modern progress. Such countries have yet to be equipped with the mechanism of production and of luxury, which has been created in the progressive countries by the savings of recent generations. They have not only to obtain buildings and machinery—the necessary elements in producing machine-made goods—but they have to build their roads, drain their marshes, dam their rivers, build aqueducts for their water supplies and sewers for their towns and cities. Asia and Africa are the most promising of these countries. Japan has already made her entry, almost like Athene full-armed from the brain of Zeus, into the modern industrial world. The increased capacity of her people for production, giving them increased command over the products of other peoples, is producing its natural effect in the rise of wages and increased importations. China, Siberia and the islands which have languished so long under Spanish inertia, are likely to follow, perhaps with more halting steps, in the footsteps of Japan. The opening of railways and canals will afford employment for the masses of capital piling up in Europe and the United States, which will be profitable if the merchandise is found to feed the new means of transportation. Existing commodities now imported from the interior of these countries at great cost will be swept on paths of steel to the seacoast, with the result of reducing their cost, increasing their consumption, and benefiting at once both producer and purchaser.

The United States cannot afford to adhere to a policy of isolation while other nations are reaching out for the command of these new markets. The United States are still large users of foreign capital, but American investors are not willing to see the re-

turn upon their investments reduced to the European level. Interest rates have greatly declined here within the last five years. New markets and new opportunities for investment must be found if surplus capital is to be profitably employed.

In pointing out the necessity that the United States shall enter upon a broad national policy, it need not be determined in just what manner that policy shall be worked out. Whether the United States shall actually acquire territorial possessions, shall set up captain generalships and garrisons, whether they shall adopt the middle ground of protecting sovereignties nominally independent, or whether they shall content themselves with naval stations and diplomatic representations as the basis for asserting their rights to the free commerce of the East, is a matter of detail. The discussion of the details may be of high importance to our political morality and our historical traditions, but it bears upon the economic side of the question only so far as a given political policy is necessary to safeguard and extend commercial interests. The writer is not an advocate of "imperialism" from sentiment, but does not fear the name if it means only that the United States shall assert their right to free markets in all the old countries which are being opened to the surplus resources of the capitalistic countries and thereby given the benefits of modern civilization. Whether this policy carries with it the direct government of groups of half-savage islands may be a subject for argument, but upon the economic side of the question there is but one choice—either to enter by some means upon the competition for the employment of American capital and enterprise in these countries, or to continue the needless duplication of existing means of production and communication, with the glut of unconsumed products, the convulsions followed by trade stagnation, and the steadily declining return upon investments which this policy will invoke.

The entry of the United States upon the competition for the world's markets means some radical changes in their existing policy, but it means an enlarged share in the world's earnings and in the respect of other civilized states. The system of protection, whatever its original merits, will lose its reason for being when the producers of this country are able to compete in the markets of the world with the producers of all other countries. Great Britain has blazed the path of future economic achievement by declaring her willingness to open the gates of every country which

she enters to the free competition of the world. The United States, if they would have her by their side, must follow the same course. The narrower policy, pursued by France and Russia, of endeavoring to shut up their colonies to their own commerce, is only a repetition within a slightly extended wall of the old policy of building up trade, which should be reciprocal, by endeavoring to destroy the purchasing power of one's purchasers. Such a policy cannot offset the effects of congested capital, for it only intensifies within the protected wall the intensity of competition and shuts up the producers to the barren contest against each other before the same body of consumers. Fictitious premiums set upon particular industries only make their last state worse than their first by drawing capital into such industries in excess of the requirements set by the natural laws of trade.

It is not even necessary to argue the question whether "trade follows the flag" or whether trade can be achieved without the prestige of political power. The present situation in China is such as to call for energetic political action on the part of all powers which desire to obtain new openings for their commerce. Russia, Germany and France have seized stations and large tracts of territory in China with a view to enforcing there their restrictive policy of shutting up the market to their own people. It is necessary, if the United States are to have an unimpaired share in the new trade of Asia, that they should protest against this policy of exclusion and seek to limit the area over which it is applied. Great Britain stands before the world, as she has done since the days of Huskisson and Peel, as the champion of free markets. The United States, if they are not to be excluded from Asia, must either sustain the policy of Great Britain or they must follow the narrower policy of the Continental countries in carving out a market of their own. Silent indifference to what is going on in Asia is not merely a question of political and naval prestige or of territorial extension. It is a question whether the new markets which are being created there shall be opened to our commerce in any form under any conditions, and nothing but vigorous assertion of American interest in the subject will prevent the obstructions to the natural course of trade which will follow the division of Asia among the protectionist powers of the European continent.

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